

## **FINAL TRANSCRIPT**

**Aurora Cannabis Inc.**

### **First Quarter Fiscal 2019 Conference Call**

**Event Date/Time: November 12, 2018 — 10:30 a.m. E.T.**

**Length: 64 minutes**

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**PRESENTATION****Operator**

Good morning, everyone. Welcome to the Aurora Cannabis First Quarter Fiscal 2019 Conference Call, for the three months ending September 30, 2018.

Listeners are reminded that certain matters discussed in today's conference call, or answers that may be given to questions asked, could constitute forward-looking statements that are subject to risks and uncertainties relating to Aurora's future financial or business performance. Actual results could differ materially from those anticipated in these forward-looking statements. The risk factors that may affect results are detailed in Aurora's Annual Information Form and other periodic filings and registration statements. These documents may be accessed at SEDAR's database or on [sedar.com](http://sedar.com).

I'd like to remind everyone that this call is being recorded today, Monday, November 12, 2018.

I would now like to introduce Mr. Cam Battley, Chief Corporate Officer of Aurora Cannabis. Please go ahead, Mr. Battley.

**Cam Battley** — Chief Corporate Officer, Aurora Cannabis Inc.

Thank you, Christine (phon). Good morning, everyone, and thank you for joining us for today's call.

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With me today are: Terry Booth, our Chief Executive Officer; Glen Ibbot, our Chief Financial Officer; and our Chairman, Michael Singer.

I'd like to start with a few initial comments before we get to the formal program. This is another very strong quarter for Aurora, characterized by strong performance in terms of growth, integration, operations and logistics, rising production and new licences, international expansion, and a fast start out of the gate at the launch of Canada's adult consumer-use market.

One key figure we'll be talking about through the call is our top-line, pro forma revenue number of 35.8 million for the quarter. Obviously, we're delighted with these results. The bottom line is that we've been executing extremely well across the board. We've had no stumbles during this busy and critical period ahead of consumer legalization, and we now anticipate sharp increases in production and revenues over the coming quarters.

Now, in the first quarter of 2019, we continued our strong momentum, experienced over the past several quarters, beginning to position Aurora as a preeminent global cannabis company. Today, we'll talk about our progress in the quarter. Again, it was a busy period, so I'll talk about it in terms of our success at generating continued growth, increasing our production, our achievements in enhancing and diversifying our product offering, and growing our international presence.

In our industry, seed-to-sale has become somewhat of a cliché. But for Aurora, we have achieved vertical integration. However, it's important to note that we have gone far beyond that, to

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establish a leadership position across the value chain, through building and identifying the right assets, assembling the industry's top talent, and leading our industry through innovation.

But first, let's briefly talk about our successes in the Canadian adult consumer market, which began on October 17th. This was a major milestone, and Aurora is pleased to be one of the strongest participants. As I'm sure you've heard, the public response was overwhelming, with strong demand across the country. Aurora was well prepared for adult consumer use, having strategically built substantial inventory that enabled us to meet just about all of our supply obligations.

Included in this were high-demand, higher-margin products, such as our industry-leading pre-rolls and capsules. Our nationwide placement of product was aided by the work that we had done before October 17th to reinforce our brand recognition. While it's still early days, we're able to report that Aurora has had some of the most popular strains and brands in the system.

In Ontario, for instance, according to the Ontario Cannabis Store website, we achieved 30 percent market share with San Rafael, the brand launched by our wholly owned subsidiary MedReleaf, having the most popular and two of the three best selling strains.

Likewise, in British Columbia and Prince Edward Island, again according to government source data, we were strongly represented, with various products across our different brands ranking in the top 3, 5 and 10 of the most popular strains. In fact, as of today, Aurora has four of the top five brands in BC. So again, while it's still early, it is clear that our brands have resonated strongly with the

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market, and we've built a significant early market position. And that validates our preparation for the launch of the adult consumer-use market and the success of our production and rollout strategies.

Similar to other Canadian LPs, we are facing demand that outstrips supply. We anticipate this dynamic to continue for some time. However, we are successfully and rapidly scaling up our capacity, increasing product availability, and driving accelerated growth across our different markets.

Furthermore, Alcanna, North America's largest nongovernment liquor retail chain, in which we have a 25 percent ownership interest, are developing a chain of cannabis retail stores. Alcanna reported achieving approximately \$3.7 million of sales in the first 19 days from its first five stores, with the average dollar amount of each transaction two to three times greater than what they see in their liquor stores.

We understand this strong customer demand is continuing. Alcanna is positioned well to achieve the maximum permitted number of 37 stores in Alberta in the first year of legalization and is targeting expansion in provinces where regulations permit privately owned retail cannabis outlets.

I'm pleased to say that while we capitalized on the significant opportunity of the Canadian adult consumer market, we have continued to service our core medical cannabis business. To ensure that we were able to honour our commitment to our existing patients, our top priority, we held new-patient intake steady while building up inventory for the consumer market.

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The market opportunity for the consumer market in Canada is exciting. At our core, however, we are a medical company striving to help patients in Canada and internationally. To enable us to meet demand from all markets, ramping up production continues to be top priority.

In the quarter, we increased production compared to the prior quarter by 126 percent, to almost 5,000 kilograms, and nearly quadrupled this compared to last year, driven by the addition of the CanniMed and MedReleaf facilities, as well as the first harvest from Aurora Sky and Aurora Eau. Presently, we have eight facilities with operating licences, and six, including Aurora Sky, with a sales licence, and we're progressing toward our first harvest in Denmark.

The Phase I facility in Denmark has a capacity of 8,000 kilograms per year and will play an integral role in serving the European medical cannabis market. Currently, based on rooms in production, the Company is running at an annualized run rate of approximately 70,000 kilograms and anticipates getting to approximately 150,000 kilograms per year annual run rate around the end of this year, 2018.

On deck are the Sky Class facilities Nordic II in Denmark and Aurora Sun in Medicine Hat, Alberta. Construction of Sun is underway, with first planting expected in 2019, bringing our total funded capacity to over 500,000 kilograms annually.

Our Sky Class facilities are state of the art and highly automated, with an expected production cost of well below \$1 per gram. These low costs, while delivering product of consistent, high quality, are a function of the yield and production efficiency technologies implemented to an

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extent not seen anywhere else in the cannabis industry. Extensive automation, including robotics, delivers economies of scale, while on the energy side, we're harnessing the power of the sun, and we capture excess heat for reuse.

The facility features further technologies to optimize energy use, such as accessing free heating and cooling energy during the warmer and colder months, respectively. Electricity consumed by the facility is supplied through two independent substations feeding two independent electrical rings which have been set up with interconnects, as well as a backup, independent power generator to ensure full redundancy. The electrical rings are monitored and controlled by a digitalized management system with switchgear to move power through the facility quickly and efficiently.

The systems described above have now been commissioned successfully and will contribute to significant energy savings compared to more traditional facilities that would yield a similar production output on an annual basis.

Finally, the facility is equipped with many yield-optimizing technologies, such as complete control of environmental variables and disease and pest prevention. All of this makes the Sky-class facilities the leading cultivation facilities in the world to produce large quantities of high-quality product at low cost, targeting our rapidly growing markets at home and across the globe.

As we complete construction of our facilities, bringing them fully online requires both production and sales licences from Health Canada. In the quarter, we made progress with licences

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granted at several facilities. Our Eau facility in Lachute, Quebec, was granted a production licence in September.

This 4,500 kilogram-per-year facility is built to EU GMP standards, as are all of our facilities, and will allow us to complement our larger production facilities by supplying niche cannabis markets. We held the grand opening of Aurora Eau on November 5th and are pleased to report that all bays are planted, and we're working toward obtaining the sales licence for the facility right now.

At several of our facilities, we also received Health Canada licences for the production of cannabis derivative products including oils, softgels, and capsules. At present, about one-fifth of our revenues are coming from—actually I believe it's higher than that. I believe it's about a third of our revenues are coming from derivative product. And we expect this to continue over time, mainly as our innovation teams continue to develop new products.

A good example is Aurora Cloud, something that we're very proud of. It's the first, and as far as we know, the only vape-type product permitted for sale in Canada by Health Canada. Aurora Cloud is a high-potency, CBD, vape-ready oil cartridge. That Aurora is the only LP able to offer this type of product is testament to both the abilities of our product development and regulatory teams, and our commitment to innovation.

Other higher-margin products that we're able to offer today include capsules, softgels, pre-rolls, and topical creams. We have many other products in the pipeline, as well as work with our strategic partners, such as CTT and Evio Beauty, to bring new products to market. And this is important

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for a couple of reasons. First, more and more consumers, both medical and recreational, are choosing to ingest cannabis through derivatives rather than smoking dried flower. And second, these represent higher margin products for us.

Delivery technologies, obviously, are an important focus of our product development team, but we're also heavily engaged in medical research. We have the largest science team in the industry, to our knowledge, and between Aurora, MedReleaf, and CanniMed, we've completed, or are engaged in, some 40 clinical trials and case studies, and are progressing on seven preclinical studies. And we're in the planning stages of a large number of new clinical trials.

The objective of these studies is both to develop marketable intellectual property, such as more narrowly targeted, higher-margin therapeutics, and to further strengthen our brand recognition with medical professionals on a global basis.

We continue to deliver growth organically, but we're also executing well on strengthening and positioning the Company for global leadership through M&A. In the quarter, we've continued to execute on this strategy, building our business across the value chain through strategic acquisitions that build, enhance, and diversify our strong leadership position.

In July, we closed our acquisition of MedReleaf. We've discussed this extensively previously, and the contributions MedReleaf makes to Aurora, to our position as a leading global cannabis company—they're tremendous. The integration of MedReleaf is well underway and progressing smoothly. In fact, it will be completed by the end of this month, November.

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Given our pace of acquisitions, we have made integration a core competency under the experienced leadership of André Jérôme, our Senior Vice President of Integration. To give you an example, CanniMed was fully complete—the integration of CanniMed was fully complete within the 90-day timeline that we had set out for ourselves. And we're starting to accelerate the company and derive the strategic synergies that were part of the rationale for that acquisition.

For instance, both cultivation capacity and oil-processing capacity have dramatically increased at CanniMed, and we're leveraging the clinical trials CanniMed had completed and that are ongoing. CanniMed also has and continues to make contributions in terms of product development. Finally, we're leveraging CanniMed's exceptionally strong network of prescribing physicians and the Company's educational processes and capabilities, and we'll be deploying this model globally to drive even further growth.

The MedReleaf integration is also progressing extremely well, and we're already putting in place programs to realize the numerous strategic synergies. These include MedReleaf's operational methods underlying its industry-leading production yields, their data-driven cultivation practices, their product development, and their medical research capabilities. Furthermore, MedReleaf's consumer brands and products have resonated exceptionally well with the adult usage market, making an important contribution to our successful launch in this new market.

In August, we also closed the acquisition of Anandia Labs, the industry leader in cannabis plant science and cannabis product testing. It too is in the process of being integrated. The

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amalgamated R&D teams from Aurora, CanniMed, MedReleaf, and now Anandia, provide us with the leading research team in this industry and an enhanced ability to generate higher plant and oil yields, introduce new high-margin products, and more effective patient solutions, all part of our innovation efforts through the value chain as described earlier.

As I mentioned, the legalization of cannabis in Canada on October 17th was a very significant milestone. However, we continue to see and focus on the much larger economic opportunity, and that's the global medical cannabis market. At quarter-end, Aurora was present in 20 countries across five continents, and we continue to entrench that presence through acquisition, business expansion, and strategic partnerships.

We significantly increased our presence in South America in the quarter, when we entered into an agreement to acquire ICC Labs, a leading cannabis company in the region with over 70 percent market share in Uruguay and medical cannabis licences in Colombia. Combined with MED Colombia, which we acquired through MedReleaf, we now have a very strong platform to grow throughout the continent.

ICC shareholders have now approved that deal, and we anticipate receiving the final regulatory approval from Uruguay, required to complete the transaction, very shortly. As well as access to local expertise and a low cost of production, ICC is developing a state-of-the-art, GMP-compliant extraction facility in Uruguay with a capacity to process 150,000 kilos of CBD—

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cannabidiol—seed per year. What's more, this facility is located in Uruguay's free trade zone, which exempts exports from any local tax.

Long term, the global CBD wellness market is a huge opportunity. We are proactively acting on this potential and see opportunities to realize synergies between ICC and our majority ownership in Hempco in Alberta.

These opportunities are further amplified through our acquisition of Europe's largest organic hemp company in September. Agropur, and its sister company, Borela, produce, process, and distribute organic hemp and hemp products globally and have substantial land under contract with a capacity of more than 1 million kilos of organic hemp per year. Previously, they had selectively harvested the seeds as a food supplement, leaving millions of dollars of hemp biomass on the field each harvest.

We intend to work with them to extract and refine the entire hemp plant into a wide range of CBD-based wellness products, while continuing to develop their markets for other hemp-derived products. With this large presence in the CBD space, we're embarking on a CBD-focused strategy that covers the entire value chain from supply through to genetics, research, and clinical trials, to product development and distribution, and distributing product to international markets across five continents.

Other international expansion achievements in the quarter include the letter of intent that we signed with the government of Malta to establish a seed-to- pharma medical cannabis facility on

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that island. We will be the majority interest in a joint venture with the largest pharmaceutical wholesaler in Malta and serve the domestic Maltese and southern European markets.

Another milestone in Europe was achieved post-quarter when we were the first nongovernment business to be granted approval by the Polish Ministry of Health to supply medical cannabis into that market. Poland is now our sixth cannabis market in Europe, making us the leading cannabis company on the continent. We are not done. We're targeting market entry into multiple other jurisdictions and anticipate driving further growth as we capitalize on our early-mover advantage in these critically important markets.

Not to leave a continent behind. In the quarter, we completed our first export of cannabis oil products to Australia. The product was supplied to medical patients by our local partner, Cann Group, who've also received plant genetics from Anandia to enhance their cultivation program, while they're also in the process of developing an Aurora Larssen project's designed cultivation facility, with capacity for up to 50,000 kilos of cannabis annually. Cann Group's long-term plans include export, and the facility is being located at the Melbourne international airport.

As you can see, the first quarter of fiscal 2019 was very active and very productive and also, for Aurora, kind of business as usual.

I'd now ask Glen to discuss the financials for the quarter. Glen?

**Glen Ibbot** — Chief Financial Officer, Aurora Cannabis Inc.

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Thanks, Cam. Good morning, everyone. Aurora's financial performance in the first quarter of fiscal 2019 reflected the numerous achievements and quite gratifying progress Cam just described. We had very strong quarter-over-quarter revenue growth, with extract-based products continuing to comprise more than 31 percent of our cannabis revenue, resulting in a healthy gross margin of 70 percent.

This quarter included just over two months of MedReleaf's results, consolidating from the acquisition date of July 25th. Overall, revenue increased to \$29.7 million for the quarter, up 55 percent from Q4 of fiscal 2018 and 260 percent from the same quarter in the previous year.

Revenue growth was mainly attributable to much higher patient numbers and increased product availability, following the acquisition of CanniMed and MedReleaf, continuing development of our international markets, and the first glimpses of the impact of the Canadian adult-use market. On a pro forma basis, including MedReleaf, Anandia, and Agropur as though they had been acquired July 1, 2018, revenue would have been \$35.8 million, reflecting a 333 percent increase in revenues over the prior year.

As I noted a moment ago, consistent with last quarter, extracts represented about 31 percent of cannabis revenue. A year ago, oils were 20 percent of cannabis revenue. We expect the percentage of sales attributable to oil and extract-based products to increase in future quarters, as new products are introduced, including Aurora's recently licensed softgel capsules.

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The inclusion of MedReleaf's result had a mixed impact on selling prices. The average net selling price of medical dried cannabis increased by \$0.37 over the previous quarter, due to MedReleaf's higher net sales price of \$8.19 per gram. However, overall average sales price of cannabis extracts decreased by \$1.40 per gram, as we integrated MedReleaf's extract pricing.

As Cam noted earlier, we were well prepared and had a successful launch into the Canadian adult consumer-use market. We began shipping cannabis to provincial wholesalers at the end of September and recognized a small amount of revenue, about \$600,000, in Q1 2019. This number only includes the small percentage of shipments delivered to several provinces by September 30th. Since then, we have been pleased with our performance in this market to date, both in terms of market share and average selling price.

Post-acquisition, rapid improvements in CanniMed's facilities and production methodologies resulted in a \$0.25, or 15 percent decrease in our cash costs to produce a gram of cannabis, dropping to \$1.45 from \$1.70 in the previous quarter. As more production comes online from Aurora Sky, we expect production costs per gram to continue to decline.

Our cannabis production in the quarter more than doubled from the previous quarter, up from 2,212 kilograms and equivalent, to almost 5,000 kilograms and equivalent. The significant increase in production in Q1 results from continuing yield improvements, the integration of our recent acquisitions, and the first harvest from Eau and Sky.

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Supporting our existing patients in Canada and Europe required almost 2,700 kilograms in the quarter, allowing us to continue to build new, high- quality inventory in preparation for the adult consumer market in Canada. As Cam noted, as at today's date, we are now producing at an annualized rate exceeding 70,000 kilograms.

Our mission is to build a global leader in the cannabis industry. On the corporate side, we have continued to support this objective by investing in the infrastructure and talent required to pursue the unique and significant opportunities in the adult consumer use, and international medical markets. This is partially reflected by our headcount, which is now over 1,600 skilled and very motivated employees.

G&A costs in Q1 2019 were 35.9 million, a 59 percent increase over the 22.6 million in the last quarter. This change is a result of the increased headcount, new office space, and other expenses to accommodate our rapid growth, including our US listing costs. About 6 million of the increase is from the incorporation of MedReleaf expenses, some of which are related to the acquisition and are nonrecurring, such as certain public company costs.

To establish strong brand awareness in advance of the October 17th adult use legalization, we invested in a significant number of marketing activities. We also continued to build out our internal sales and marketing talent and capabilities. Overall, these increases—these expenses increased by 99 percent to 29.4 million from 14.8 million in Q4 2018.

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Over 80 percent of the increased spend was directly related to the October 17th launch and is nonrecurring. As you are aware, the scope of marketing has been significantly curtailed, pursuant to the Cannabis Act, as at October 17th. So going forward, we expect our sales and marketing expenses to be quite a bit lower until regulations change, if and when they do.

Innovation is also crucial to our objective of building a high-margin business in the global cannabis industry. As markets develop, there will be more consumer demand for customized strains and new delivery mechanisms, and also continued internal productivity initiatives such as higher yielding strains and techniques.

The combination of Aurora's R&D team, along with those of MedReleaf and Anandia, have given us unsurpassed science and product development capabilities. Work on these initiatives, along with the process improvement and enhancement efforts at Aurora Sky, have resulted in a healthy increase in R&D expenses compared to the prior quarter. With our industry-leading science and product development teams working extremely hard, expect our investment in research and innovation to continue to grow, although not at the same pace as our revenue growth.

We are well funded to execute on our growth strategy, including accelerated international expansion, targeted acquisitions, increases in our talented staff, support for science and innovation, and investing in our world-class facilities. As at September 30th, we had \$147.8 million in cash and equivalents—a \$58.6 million increase from the previous quarter—and well over \$400 million of market value in publicly traded strategic partners.

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In conclusion, Aurora delivered another quarter of strong revenue growth with very healthy margins, had a successful launch into the adult consumer-use market, and continued to invest in talent, science, and technology to position us to achieve our mission of building a high-margin, global cannabis leader. The Company is in robust financial health and is well positioned to capitalize on this once-in-a-lifetime opportunity.

I'll now pass the call back to Cam.

**Cam Battley**

Thank you, Glen. We are obviously very pleased with our progress in the quarter and the platform that we have in place to achieve continued growth. We are vertically integrated across the value chain, enabling us to capture more margin, accelerate the development, and market introduction of higher margin products for the consumer wellness and medical markets, increase operational efficiencies, and target a rapidly growing global audience.

We continue to be successful in the international medical market and have made a great entrance into the consumer-use markets in Canada. Our scale and capitalization enable us to act on opportunities very quickly, positioning us exceptionally well to capture leadership, capitalize on the enormous potential of the global cannabis industry, and to accelerate growth.

We're strongly committed to delivering shareholder value. And before we open the call to questions, I'd like to mention a couple of initiatives that complement our strong growth.

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First is our spinout of Australis Capital, which was completed in September. Canadian beneficial shareholders received units of Australis, consisting of one common share and one share purchase warrant, and an opportunity to participate in the attractive US cannabis market.

There is incredible growth potential in the US, with high quality operations, attractive innovators, and a large market of patients and consumers. However, as cannabis remains a Schedule I controlled substance in the US, alongside heroin, these companies' access to capital is constrained.

Australis brings to the US market, a management team and board with vast capital markets experience and deep cannabis industry backgrounds, to identify, evaluate, and pursue investments. To date, Australis has announced three exciting transactions, has successfully increased its capitalization, and is working diligently on delivering growth.

Second is our listing on the New York Stock Exchange, where we commenced trading on October 23rd. Achieving that listing is a reflection of our success at growing as a company and will allow us to attract a larger audience of global, institutional, and retail investors.

The last thing I want to mention, after a quarter as good as this, is that Michael and Terry and Glen and I are incredibly proud of our team. The performance of our people across every function has been stellar. We couldn't be more proud.

And, Christine, perhaps now, you can open the call for questions.

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## Q&A

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**Operator**

Thank you. In order to ask a question, please press \*, and the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Tammy Chen, BMO Capital Markets. Your line is open.

**Tammy Chen — BMO Capital Markets**

Thanks. Good morning, everyone. I just had a couple of questions here. First is just to confirm your 70,000 kilogram run rate. So I just want to confirm, how should we think about that? Is that—so fiscal Q2 is essentially the 70,000 divided by four, that will be your production? Or will it still take you some time to get there, given the harvest lead times?

**Cam Battley**

So that is very specifically our annual run rate that we've achieved, and it's comparable to the \$45,000 figure that we cited in our last quarter. It will take us awhile. That's the annual run rate, but it will take us awhile, and we will ramp up.

And now, the other thing to bear in mind is this is a moving target. So by the beginning of calendar 2019, we're looking at in excess of 150,000 kilograms annual run rate. And then we're targeting, by the beginning of 2020—that's when we're targeting about 500,000, or 500,000 plus.

And Glen, did you have something to add?

**Glen Ibbot**

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November 12, 2018 — 10:30 a.m. E.T.  
Aurora Cannabis Inc. First Quarter Fiscal 2019 Conference Call

Yeah. Tammy, it's an excellent question. We're right in the heart of this ramp-up. We're right on the curve. But you're right, I mean, those are bays that are planted and growing and in production. But the harvest cycle, you're not going to see that level of harvest in Q2. So they're planted, producing; it does take a couple of months to grow, a little bit of time to harvest and dry. So you're really going to see that level of production coming towards the end of the quarter, in terms of harvest and availability to the market.

**Tammy Chen**

Okay. Got it. Thank you for clarifying that. The second question is, obviously, you would have—you've supplied in the first two weeks in October. But you could you talk about, now we're past October, your ability to supply with the inventory you've got on hand and production coming on? In terms of how much you've committed to the provinces going forward? And your ability to supply that going forward? We've also heard that the provinces are taking product from any producer that has. And I'm wondering, could you speak to if you're in a position to also be able to supply more than your original commitment, should the provinces come around asking for more?

**Cam Battley**

We will be. But remember that we're in the process of ramping up right now. We just got the sales licence for Sky, that's great. We've got additional harvest coming out of there. We're anticipating our sales licence at Aurora Eau very soon, and we're having our first harvest in the next couple of weeks. So we will be able to ramp it up, but we can't make commitments like that.

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I understand what you're asking because we've heard the discomfort of provinces who, across the board, have not been able to achieve a sufficient supply. We, we think, have done better than other companies and than some of our peers. We will be ramping up, and we'll be able to pick up some of the slack soon, but we can't do that immediately.

**Tammy Chen**

Okay. And lastly from me is, could you talk a bit about how your wholesale pricing in the adult-use market has been? Your positioning of products in good, better, best?

**Glen Ibbot**

Tammy, what I can say, rather than good, better, best, is that our average pricing is above what you would expect, just for dry cannabis. Don't forget, we're selling capsules and oils and pre-rolls, and all these are at a higher price than just dried cannabis. So to date—and this is a very small sample size—but to date, we're averaging a little over 5.50 a gram or gram equivalent. You can extrapolate what you want from that. We'll see.

I think we need a longer sample size. We need to see, as the demand—the strong demand from consumers persists, and as we've demonstrated, high quality and the ability to supply, this is an ongoing negotiation with the provinces. So those that can supply with high quality and consistently, may be able to demand even higher pricing than we're currently getting right now. So it's very initial stages, but as I said earlier, we're very pleased with our ability to supply and the pricing on average that we've gotten to date.

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**Terry Booth** — Chief Executive Officer, Aurora Cannabis Inc.

Sure. Just to add to that. it's Terry Booth here. The other factoid that is coming around the corner is product development. And as we put more gel caps on the shelves, more CBD cartridges on the shelves, and other product developments that are coming down the pipe, you'll see an increase in the price per gram that we're garnering from these provinces.

The demand speaks for itself. As Cam reiterated, there is a high demand for the Aurora MedReleaf product in these provinces. The provinces initially wanted everybody to come out sort of flat because they didn't know, really, who had the champagnes, and who had the bubbly. And certainly, we feel that we have the champagnes of having a medical system, and that will eventually—that demand will lead to higher pricing in the provinces, without a doubt.

**Tammy Chen**

Okay. Those are all my questions. Thank you.

**Cam Battley**

Thanks, Tammy.

**Operator**

Your next question comes from the line of Martin Landry from GMP Securities. Your line is open.

**Cam Battley**

Hi, Martin.

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**Martin Landry — GMP Securities**

Hi. Good morning, guys. Good morning. My first question. Yeah. Just to clarify, you're talking about Ontario having 30 percent of the total supply. Is this 30 percent of the sell in? Or is it 30 percent of the sell through?

**Glen Ibbot**

As far as we're aware, and as you know, it's hard to accumulate the data, but this is the actual sales of cannabis into the Ontario system, not selling to the provinces but their actual sales. So, Martin, it's again early days, but where we can get access to data, and some provinces are more forthcoming than others at this early stage, we have. Our market development team has been looking under the covers, trying to get insights onto what's moving, what's not, how we're doing relative to the other folks, that type of thing. So they're actual sales. It looks to us like we achieved about 30 percent of the Ontario sales to date.

**Martin Landry**

Wow. Okay. And to your knowledge, that 30 percent share in Ontario. Is it representative of what you have in the rest of the country? Or did you over-index in Ontario?

**Cam Battley**

We don't know. We don't know because we don't have clarity. Only some provinces have any kind of information posted, publicly available right now. So we've just pulled what we were able to from the provinces' websites.

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**Terry Booth**

Martin—sorry, Cam.

**Cam Battley**

Yep.

**Terry Booth**

The other thing to be noted is that we did supply the SKUs that we said we would, unlike other competitors. And by virtue of supplying the SKUs, we've gained confidence in these provinces. Yes, of course, they're all asking for more. They underestimated their own demands. But we have a medical market to maintain. We have a European market to maintain. So we're going to maintain supply as per our contractual commitments. When additional product comes online, we'll be ready to supply that as well. And that's when we'll do the upticks.

**Glen Ibbot**

There is other anecdotal places you can go. If you go to the BC website, you can sort their cannabis products by best sellers. If you sort by best sellers, you'll see that we have four of the top five selling strains from the beginning of—from October 17th. So there are glimpses. We can't say what that means in terms of a percentage, but we're certainly pleased that we're at the top. So again, we'll get more and more clarity over the next few quarters, but it's been a very nice start.

**Cam Battley**

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So, Martin, just to sum this up, our sense is that we're doing well, very well, out of the gate in the consumer system. But we just don't have access to a ton of data right now. And as Terry said, I think we're doing a very, very good job of balancing out, maintaining supply on our menu for our 67,000 registered patients across the country, and making sure that they have access to a variety of medical products, in addition to continuing to ship product to our international markets. To be able to do so well across all three market segments is something we're very proud of.

**Martin Landry**

Okay. And as we speak today, are you completely sold out? Or do you still have some inventory that you can supply to the provinces?

**Glen Ibbot**

We wouldn't sell out.

**Terry Booth**

Yeah.

**Glen Ibbot**

We have a budgeted amount of cannabis per month for our patients, for our European countries, and for the adult-use market in our provinces. Who would sell out of all their cannabis? That would be a mistake we would not make.

**Cam Battley**

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Yeah. No. So we do have additional inventory, and we are replenishing the orders to all the jurisdictions that we're serving, which I believe is 12 out of 13 in Canada now.

**Martin Landry**

Okay. Okay. And just my last question is on Aurora Cloud, your vape cartridge.

**Cam Battley**

Yeah.

**Martin Landry**

Is this going to be potentially available for the recreational market?

**Cam Battley**

Not yet. Not yet. That will have to wait for the new regulations anticipated with respect to concentrates and edibles. Now the one thing to remember there is, the Cannabis Act itself says that those regs allowing for those products to be sold, have to be in place by one year post-legalization, so October 17, 2019.

But we don't have to wait that long. And my suspicion is, given that if you know what else is happening in October 2019—that is, a federal election—I suspect that we'll see regulations allowing for at least some of those products, and maybe all of those products, coming sooner than a year from now. So I think we may be looking at a matter of months.

**Glen Ibbot**

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And Martin, I expect the cartridge to be available in the rec market way before the beverages and edibles. So—

**Martin Landry**

Mm-hmm.

**Glen Ibbot**

—just the fact that we have it in the medical market underlies the ability to apply to Health Canada and get it on the shelves.

**Cam Battley**

Yeah. And it really helps that we've got an amazing product development team. Dr. Shane Morris, who heads our new product development, is really killing it. And he's the one who led the effort to get the first CBD vape onto the market, when nobody thought that was possible. So we're very, very pleased with that.

**Martin Landry**

Yeah. And what's the selling price of that cartridge? And on a per-gram equivalent as well, if you can?

**Cam Battley**

You've got me.

**Glen Ibbot**

Yeah. We'll have to get back to you.

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**Cam Battley**

Yep. Yeah. I actually don't know that off the top of my head, Martin.

**Martin Landry**

Okay.

**Glen Ibbot**

I think it's around \$80, but don't quote me on that.

**Cam Battley**

Yeah. It's good.

**Martin Landry**

Okay. Okay. That's it for me. Thank you.

**Cam Battley**

I owe you. I owe you an answer on that one, Martin.

**Martin Landry**

Okay.

**Operator**

Again, if you'd like to ask a question, please press \*, then the number 1 on your telephone keypad.

Your next question comes from the line of Matt Bottomley from Canaccord Genuity. Your line is open.

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**Matt Bottomley** — Canaccord Genuity

Good morning, everyone. Congrats on the quarter and the launch into Canada's rec market.

**Cam Battley**

Thanks, Matt.

**Matt Bottomley**

Yeah. So maybe just switching over the quarter itself, on the OpEx side. So I understand the commentary that, proportionally with a lot of the selling—or the selling and marketing expenses are going to come down, given that you had to do it prior to October 17th. But how do we look at these lines, sort of at a consolidated level? Maybe just directionally, going forward? Obviously, there's going to be a lot more investment in your international operations and more consolidation of deals closing.

So the roughly 60 million or 70 million in total of your admin costs and your selling general admin, I imagine directionally, that is going to increase over the next couple quarters. But am I not understanding something on that, maybe just going forward, on directionally where that's going to flow?

**Glen Ibbot**

Yeah. Matt, like the sales and marketing really was a unique sort of time where there was just—I mean, I think most of the major LPs were putting a lot of effort into brand building, brand awareness, that type of thing. We sponsored a number of high-profile events and concerts and all sorts of things to get the name out there, but it certainly can't continue on at that level.

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I'd say the sales and marketing is going to normalize much more like it looked in Q4—

**Matt Bottomley**

Mm-hmm?

**Glen Ibbot**

—so closer to half of what we did in Q1. As I noted, 80 percent of the increased spend in Q1 is kind of onetime, nonrecurring stuff. There'll be a little bit of spillover into Q2, just because we were able to market right up till the 16th of October. But now, we're into more focus on sales and lower dollar-cost activities in the marketing side. So Q4 2018's more representative of how I see this sales and marketing expense normalizing.

The G&A is a little bit high this quarter. It was very, very active quarter with a US listing, with the integration of some pretty major companies like MedReleaf and things like that. And so, that kind of blew up the G&A a little bit in terms of costs that will go away. I'm not going to say—it's not dropping by half, the way marketing will, but it should normalize down a little bit.

That being said, that is part of the growth globally, as we continue to bring new companies into the fold. And we're going to pick up the market leader in South America within a week or two here and need to build out the support capabilities for a company that's got the potential to lead and open the South American market for us. So G&A, I would expect to drop a little bit in this quarter, but it will continue to stay pretty steady and grow as we become more complex globally. I hope that helps.

**Matt Bottomley**

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No, it does. That's very helpful. Thank you. Just wanted to shift to this whole purchase order process with the provinces right now. So obviously, you're allocating first and foremost to your medical patients, and then also your international streams. With what's left over for sales into the Canadian rec market, is it fair to say that the provinces are buying whatever's offered to them? I'm assuming there has to be some sort of level of minimum commitment. But is it month by month right now? Or how are these provinces actually taking product and communicating how much visibility there is on what their ordering might be?

**Glen Ibbot**

I would say it's all over the map. The provinces all have different systems in place. Our production team has told me that we could sell every gram we produce up until the end of June. That's every single gram that we produce, if we wanted to, into the adult usage markets, so. As I said earlier, we're tempering it, we're meeting our commitments, and when we have extra supply, which we will, start to ramp up supply from Sky, we will allow that for sale in the adult usage markets. Remember that the medical market and the European markets fetch us more dough. Full stop.

**Cam Battley**

Yeah. One of your questions is, will the provinces take whatever product's available? Yeah, I think they would. And the story there is an excess of demand over supply, so I think they're taking whatever product they can get from whatever producers.

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From our perspective, we do have commitments to our provincial partners, and we're going to go all out to meet them. But one of the things that I think that we're doing exceedingly well is that product allocation among the three market segments. We're not leaving our medical patients twisting in the wind. We're making sure that they have access to the range of products they need.

Still, we're also—we've launched, I think quite successfully, into the consumer market, and what we've found is that our products are very well known. So the brand awareness is there, and that suggests that some of the sales and marketing efforts that we made over the past quarter have actually borne fruit. And then at the same time, we're opening up additional markets around the world. So that product allocation, I think, has been outstanding.

And by the way, I just have a note here with respect to Aurora Cloud, Martin's question. It's priced at \$75 per unit, the Aurora Cloud CBD vape cartridge, and it's \$52.50 per unit for compassionate patients, which are those who are on federal or provincial disability or make less than \$25,000 per year.

**Glen Ibbot**

And that's only the cartridge that's being quoted there. The pen, of course, is up to the patient, and it is a universal type of cartridge that fits in many different pens.

**Matt Bottomley**

Mm-hmm. Thank, guys. And just one last question on my end, just on the international stage here. If you could provide any colour, if there is any, on what's happening in the German tender

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process right now for domestic cultivation? And then between the various markets you were talking about on the call—Poland, Colombia, Australia, and others. Which markets do you think are going to be the largest contributors to your current fiscal year 2019, for us to maybe focus more of our attention on, going forward? I'll leave it there. Thanks.

**Terry Booth**

In our opinion, certainly the EU is going to be the front-runner amongst those nations that you mentioned. As far as the German tender goes, we're quite happy that it's still not out.

**Matt Bottomley**

Mm-hmm.

**Terry Booth**

When it comes out, we'll be prepared. We were selected in the first round, and then there was some kerfuffle from other LPs that ended up having it being delayed. But we're quite happy to continue to be the leader in Germany and actually widening that gap between others.

It's a difficult country to get into. You have to be EU GMP compliant. The hurdles are high. And as you've seen, there's not many being able to sell cannabis in Germany, and the ones that have, don't have the proper distribution channels set up yet. We were ahead of the game in the acquisition of Pedanios, which is now Aurora Deutschemark, I believe.

**Glen Ibbot**

Deutschland.

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**Terry Booth**

Deutschland. Deutschmark. I'm going to get kicked in my (unintelligible) Germans, I'll get in big trouble. But yeah. It's the EU for now, for sure, but we're not turning away on any of our other nations. I think South America—you saw what happened with Mexico. That's moving very quickly. We've been in discussions—I can't say that either—but we've been in discussions all over this world, as Cam mentioned, in over 20 countries right now. Expect that to continue to increase at the same pace that it has over these last 18 months.

**Cam Battley**

Yeah. So in the short term, Matt, Germany is going to be the major driver. That's a system that's growing very, very quickly. There's somewhere between 30,000 and 60,000 patients in the entire system. We only have clarity on the first 30,000 because those are reimbursed by insurers, and that's the only really good datum that we have to track patients. But it's growing very rapidly, as you would imagine, with patient reimbursement.

As Terry said, the EU, I think, is going to be a very rich market for us. And it's the barriers to entry that are potentially, particularly important here. You have to have EU Good Manufacturing Practices certification, in order to sell into those markets. And we currently have three of, I believe, seven total licences with EU GMP certification, and that would be our Aurora Mountain facility, our MedReleaf Markham facility, and the former Pedanios, now Aurora Deutschland itself on the distribution side.

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**Terry Booth**

Also, our Denmark facility, which is the first facility, other than Bedrocan BV to grow cannabis in the entire EU.

**Cam Battley**

Yep.

**Terry Booth**

Our competitors in Denmark don't even have a hole in the ground, and we have a facility built and are growing cannabis there. We started construction on the big facility in Denmark, the Nordic Sky, but it's nothing to sneeze at, having 250,000 square feet of a very hybrid greenhouse. And the guys in Denmark, Mads Pedersen—amazing job in being able to put this together so fast. The Minister of Health from Denmark was there with us, the management team, just six weeks ago.

Everybody's very excited about the Denmark market. They're doing a great job of only having it in the legislation and not having prohibitive regulations. So we're going to be able to move more products, we believe, in Denmark than we're able to move in Canada. So it's an exciting place to be, and the EU is our focus in regards to answering your question.

**Matt Bottomley**

Great. Thanks, guys.

**Cam Battley**

Thanks, Matt.

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**Operator**

Your next—your next question comes from the line of Graeme Kreindler from Eight Capital.

Your line is open.

**Graeme Kreindler — Eight Capital**

Yeah. Hi. Good morning, gentlemen. You discussed earlier about maintaining the medical market. I just was wondering if you could share any indication on, if active patient numbers have changed at all in the subsequent weeks from the introduction of adult-use legalization?

**Cam Battley**

I see what you're asking. There had been some initial concern that patients might leave the medical system for the consumer system. Is that what you're asking?

**Graeme Kreindler**

Mm-hmm. Yeah. Correct.

**Cam Battley**

Yeah. No. What we're actually—we're seeing the opposite. We're seeing strong demand for new medical patients. And we actually held the line on patients to make sure that we wouldn't end up in a situation whereby we didn't have enough product or enough variety of products to satisfy the demand of our patients.

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So we're actually seeing very strong demand, and I've seen that reported elsewhere as well, from some of the aggregators and clinics, that they've seen an increase in visits, an increase in demand since October 17th.

And the other thing to bear in mind is, at least for now, given the supply constraints in the consumer system, I don't think patients are going to be departing and using consumer cannabis any time soon.

And of course, there are some additional advantages to remaining in the medical system. For one, you can write the cost of your medicine off on your federal taxes; and two, we're seeing slowly rising incidents of insurance coverage for medical patients, which will never be the case for consumers.

**Terry Booth**

To add to that, we've got the pharmacies coming online fairly soon with the changes in the new Act, so you're going to see cannabis being dispensed from Shoppers Drug Mart, to only a select few of licensed producers, Pharmasave, PharmaChoice. That, again, is going to remove more stigma around this medicine. And as you get closer to completing clinical trials, getting drug identification numbers, or at least pseudo-drug identification numbers, more insurers will cover this product.

The future is bright for the medical cannabis system, and we're a medical cannabis company, globally. That's our focus. This adult usage is just a small sliver of a very big piece of pie. We'll manage that. We'll maintain it as we have. I think I've used both to say that we're the leaders in the adult-

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usage market in this country so far. But it is early, and we're going to continue to keep our nose to the grindstone.

Congratulations to our team. I thought it might be a little bit worse than it was for Aurora, but this Aurora team is pretty impressive. I'm pretty proud of how we put together something that was a bit of a shit show.

**Graeme Kreindler**

Okay. Thanks. And my other question here, gentlemen. Talking about Agropur and other hemp and CBD initiatives. Can you give any comment surrounding what Aurora's thoughts are with the pending farm bill in the United States? And what the opportunities might be within that vertical?

**Terry Booth**

Love it. Love the opportunity. The Agropur team, there's a young man named Manny—Skirmantas is his full name. I call him Manny usually. He's a top-notch professional. He's going to be incorporating more upgrades to the organic supply in Europe, and it's quite a significant supply.

The CBD market is really what you're speaking to, I believe. The hemp market, I've been quoted as saying, it's going to be perhaps larger than the recreational-use cannabis market in 20 years because of its full utilization. It's a food, it's a fibre, it's CBD, as well as it's used for plants, and for pets, and for animals. And it doesn't have any intoxicating THC—well, just a little bit, but nothing to screw you up.

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So that—to answer your question, Agropur, the deal in Uruguay with ICC Labs, Hempco—those three are going to be a major focus. We have a CBD national team. We have a CBD plan. It's going to set up the distribution channels earlier than the THC channels.

And in America, hats off. Let's hope that they are able to pass those acts and laws that are in place right now. Hopefully, they can take CBD off of Schedule I, maybe before THC.

You're seeing the American system really move quickly now, especially with the exit of Sessions, two more states added to the adult-usage market. That east coast is just a—my lips are wet, and my mouth is watering to get a piece into there. But we need to wait. We'll let our little brother, Australis, manage the American markets for now, and we're on top of it.

The other insight into the US markets is, of course, ALPS. Aurora Larssen Projects are involved in many bids with respect to high-quality facilities. The Americans are starting to get that us Canadians are building the right things up here. And guess what? We got that from the Dutch—

**Graeme Kreindler**

Mm-hmm.

**Terry Booth**

—so it's not like we invented it, but we certainly have taken the ball and started to build amazing facilities up here in Canada, at least Aurora has anyway.

**Graeme Kreindler**

Okay. That's it for me. Thank you very much

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November 12, 2018 — 10:30 a.m. E.T.  
Aurora Cannabis Inc. First Quarter Fiscal 2019 Conference Call

**Cam Battley**

Thanks, Graeme.

**Operator**

Your next question and your last question comes from the line of Faha Haakoun (phon) from PI Financial. Your line is open.

**Jason Zandberg — PI Financial**

Hi, guys. It's actually Jason Zandberg here phoning from PI.

**Cam Battley**

Hi, Jason.

**Jason Zandberg**

Hi. Great quarter. I just wanted to get an idea of what the product split was or anticipate in the adult use, in terms of pre-rolls versus dried flower versus oil. Do you have any insight in terms of what the market's demanding, and what you're able to supply on that side?

**Cam Battley**

We don't have those data yet, Jason. I'll tell you what the market's demanding right now, and that's cannabis products, period.

**Jason Zandberg**

Mm-hmm.

**Cam Battley**

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So we know that the pre-rolls are selling incredibly well. They're flying off the shelves. But most of the product being sold right now is dried flower.

In some provinces, I believe that we've been the only company with capsules on the market, and they've been flying off the shelves as well. So there's very strong demand across the board.

I think if there's one that is an outperformer, I would say it's the pre-rolls. And that plays very well to our strategy because we've acquired a proprietary—access to a proprietary system from Wagner Dimas that produces excellent pre-rolls with low wastage. And so we're quite bullish on that.

And the nice thing about the pre-rolls, and it can't be emphasized enough, is these are value-added products. They're high-margin products. I mean, what are we getting for a half-gram pre-roll, Glen? Is it—anyway, we get a much higher price than what we would for flower. So we're excited about that.

**Jason Zandberg**

Okay. Perfect. And then just a last question. Your cost to produce came down nicely this quarter. With all the various facilities that are coming online, going forward, where do you expect your cost to trend here? Do you expect it to go down more? Or is there some fluctuations as some of these other facilities come online?

**Glen Ibbot**

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Hey, Jason. What we've seen is, we had a little bit of a blip last quarter when we brought on CanniMed, and we knew we were getting something that had a lot of potential, but they weren't that efficient at that time, in terms of production.

So we've come back down. The cost per gram to produce at Mountain is actually lower than the average cost—

**Jason Zandberg**

Mm-hmm.

**Glen Ibbot**

—that we reported, and so both MedReleaf and CanniMed are doing well. We're bringing them down in terms of cost to produce, but they're a little bit higher, resulting in that average of \$1.45.

What'll really impact this average is as Sky ramps up.

**Jason Zandberg**

Yeah.

**Glen Ibbot**

We've said that we expect Sky to produce at well less than \$1 per gram. So you can think, as that becomes the majority of the volume that we're producing, that's going to bring that average cost to produce well down. And I'm not trying to project any numbers for you, but—

**Jason Zandberg**

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You can add that.

**Glen Ibbot**

—yeah. And that's why we're kind of being a little bit coy about that, the cost to produce in terms of the Sky facilities. But I'm very, very optimistic.

I mentioned in my remarks that we're building a high-margin global cannabis business. That's very important to us. So on the sales side, of course, we're developing new products, not the higher contribution products that are in demand, pre-rolls and capsules and things like that.

But certainly, on the production side, we talk about efficiency and world-class production. Why does that matter? It matters to us because it's money that flows directly to the bottom line.

**Jason Zandberg**

Right.

**Glen Ibbot**

This is our EBITDA. So saving \$0.50 a gram on the scale that we're producing at and will be producing at is very, very important. So directionally, you can expect it to continue to decline as the volume from Sky starts to become a larger majority of what we're producing.

**Cam Battley**

Yeah. I'd add that at Sky, obviously, our greatest efficiency will come when it's at full capacity. And so once again, like Glen said, I don't think we want to project out the next quarter right now, but I will say that the long-term trend is positive.

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And further evidence of that is what we've managed to achieve at the CanniMed facility. When we went in there, we knew that we'd find a good, stable, consistent production system, but we also suspected that the production method had not been—there hadn't been a continuous improvement committed to it. And that is in fact what we found. Since we got possession of the CanniMed facility, we've actually managed to enhance yields by 40 percent already, and we're targeting even better than that.

So this is an ethic within this company, and it's one of the things that attracted us to MedReleaf because we believe that these—Aurora and MedReleaf were the two highest production efficiency-per-square-foot companies in the industry.

And that commitment to continuous improvement is ongoing, and we've put together an expert team from Aurora, MedReleaf, and Anandia, that is devoted specifically to continuing to wring greater efficiencies out of our production, and it's combining best practices from all of those three backgrounds.

### **Terry Booth**

Yeah. consistency of the grow is absolutely key in the go-forward. Our philosophy of controlling environment at the nth degree, our philosophy of incorporating automation is going to avoid crop loss. Avoiding crop loss is absolutely key and important (phon), and Aurora's never had a crop loss, nor do we expect that we ever will, touch wood.

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But so far, so good. With the crews that we brought over from MedReleaf, and I've been involved in some of these grow meetings, just poking my nose in, and there's a lot of heavy talk going on in those rooms and bringing on similar inputs, similar delivery mechanisms, similar bands of environmental controls for different strains, and having different strains at different environmental controls. Pretty special.

And not a lot of companies out there can do that. Certainly, we knew MedReleaf could, we knew Aurora could, and CanniMed could, and those—that's where we targeted. And those are—

**Jason Zandberg**

Mm-hmm.

**Terry Booth**

—three medical cannabis companies that are growing a consistently high-grade, top-notch, high-yielding cannabis. And that has resulted in it being very popular in the adult-usage market as well, as we're seeing in the early days here. So we're in good shape. We're in great shape. Aurora is set to continue this awesome growth and successful growth and successful integration.

It was our biggest risk, I think I mentioned on the last quarterly call. We've reduced that risk by having top-notch, world-class integration teams. Very satisfied with how MedReleaf has gone off. We now have ICC, and Agropur, and Anandia to integrate. They're smaller, but—and we're getting better at it, so we're looking for successful integrations across the board.

**Jason Zandberg**

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Well, great. Thanks, guys.

**Operator**

There are no further questions at this time. Mr. Cam Battley, I turn the call back over to you.

**Cam Battley**

Thanks, Christine, and I want to thank everybody once again for participating in the call today. We look forward to speaking to you again next quarter, at which time we hope that we have just as many exciting things to talk about as we did today. And I anticipate that I will be just as highly caffeinated at that point as I am today.

**Operator**

This concludes today's conference call. You may now disconnect.

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